

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2182

ANSWERED ON:04.08.2000

INFLATION RATE

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Will the Minister of FINANCE be pleased to state:

- (a) whether the inflation rate has gone unpredictably high in recent months;
- (b) if so, the details thereof during the last three months, indicating week to week figures during the aforesaid period;
- (c) the factors responsible and the price trends in respect of different sectors to which this rise is attributable; and (
- (d) the steps taken by the Government to curb the inflation to meet the budget deficit and to check the rising burden of debts?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a) & (b) The buoyancy in the overall price behaviour recorded after the announcement of the administered price hike in March 2000 is now beginning to stabilise and inflation has decelerated from 6.8% in the beginning of the current fiscal year to 6.1% (provisional) as on July 15, 2000. Price rise (based on wholesale prices) during the first quarter of the current financial year was only 0.9%, which signals absence of inflationary pressures.

Weekly Movement of Inflation rate
(base 1993-94=100)

Week ending % change in Wholesale Price Index

(Date)	Since March end	Point to Point	
01-Apr-00	0.6		6.8
08-Apr-00	0.7		6.8
15-Apr-00	0.5		6.5
22-Apr-00	0.5		6.3
29-Apr-00	0.5		6.0
06-May-00	0.5		6.2
13-May-00	0.5		6.4
20-May-00	0.7		6.3
27-May-00	0.8		6.6
03-Jun-00	0.9		6.4
10-Jun-00	0.9		6.2
17-Jun-00	1.0		6.3
24-Jun-00	1.0		6.2
01-Jul-00	0.9		5.9
08-Jul-00	0.9		5.9
15-Jul-00	1.0		6.1

(c) The increase in the administered prices of fuel products like LPG and kerosene in March 2000 together with 40% increase in Diesel prices earlier in October 1999 resulted in pushing up the annual rate of inflation by over 2 percentage points. However, this adjustment in the administered prices of energy products was absolutely necessary in view of the sharp rise in import prices of crude oil.

Price rise in the different subgroups of the fuel group for the week ending July 15, 2000 over corresponding period ast last year is as follows:

% change in prices (point to point)

Fuel Group	26.8
Coal Mining	8.8
Mineral Oils	41.8
Electricity	15.1

(d) Government has been making concerted efforts to keep inflation under control through effective supply management and also through close monitoring of prices and supply of essential commodities. Corrective action is being taken as and when required so as to maintain the stability in prices.

The objective of containing the fiscal deficit of the Government spelled out in this year's Budget Speech is being followed resolutely. For medium-term management of the fiscal deficit a strong institutional mechanism embodied in a Fiscal Responsibility Act is on the anvil. A Committee has been set up to examine this issue and make suitable recommendations. The Expenditure Reforms Commission is also scrutinising expenditure issues with a view to streamlining expenditure management. The combined effort is expected to have a salutary effect on the overall public debt position of the Government.